

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA  
EAST CARROLL PARISH HOSPITAL**

**AUDITED FINANCIAL STATEMENTS,  
MANAGEMENT'S DISCUSSION AND ANALYSIS,  
SUPPLEMENTARY DATA AND  
AUDITORS' REPORT ON INTERNAL CONTROL,  
COMPLIANCE AND OTHER MATTERS**

**MAY 31, 2007 AND 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12/12/07

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**MAY 31, 2007 AND 2006**

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East Carroll Parish Hospital  
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## Independent Auditors' Report

We have audited the accompanying balance sheets of East Carroll Parish Hospital Service District dba East Carroll Parish Hospital (the Hospital) as of May 31, 2007 and 2006, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital as of May 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2007, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 5 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of Management regarding the methods of measurement and presentation of the required supplementary data. However, we did not audit the information and express no opinion on it.

*Smith, Turner & Reever, P.A.*

November 27, 2007

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA  
EAST CARROLL PARISH HOSPITAL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MAY 31, 2007**

This section of the Hospital's annual financial report presents background information and our analysis of the Hospital's financial performance during the fiscal year that ended on May 31, 2007. Please read it in conjunction with the financial statements in this report.

**FINANCIAL HIGHLIGHTS**

The Hospital's total net assets increased from the prior year by \$109,517. This increase results from the recognition of revenues in excess of expenses of that amount. Cash decreased by \$79,348.

At the end of the 2007 fiscal year, the assets of the Hospital exceeded liabilities by \$4,544,238. Of this amount, \$3,353,788 (unrestricted net assets) may be used to meet ongoing obligations to the Hospital's employees, patients and creditors; while \$1,190,450 is invested in capital assets, net of related debt.

Revenue was up 1.8% in 2007 due to an increase in patient days of care, compared to 2006. During the same period, operating expenses increased by \$822,834, or 10.6%, primarily as a result of the increase in personnel and supplies to provide for the additional patient days. The increase in personnel costs was primarily in nursing service where an additional RN was added for the emergency room to provide around-the-clock coverage. Additional personnel was also added to accommodate patient load and raised LPN wages to compete with the local nursing homes.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four components – Management's Discussion and Analysis, the Independent Auditors' Report, the Audited Financial Statements and Supplementary Data.

The financial statements of the Hospital report the financial position of the Hospital and the results of its operations and its cash flows. The financial statements are prepared on the accrual basis of accounting. These statements offer short-term and long-term financial information about the Hospital's activities.

The balance sheets include all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Hospital's creditors (liabilities) for both the current year and the prior year.

They also provide the basis for evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenues and expenses are accounted for in the statements of revenues, expenses and changes in net assets. These statements measure the performance of the Hospital's operations over the past two years and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service revenue and other revenue sources.

The primary purpose of the statements of cash flows is to provide information about the Hospital's cash flows from operations, investments and financial activities. The statements of cash flows outline where the cash comes from, what the cash is used for and the changes in the cash balance during the reporting period.

The annual report also includes notes to the financial statements that are essential to gain a full understanding of the data provided in the financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

Following the notes to the financial statements is a section containing supplementary data that further explains and supports the information reported in the financial statements. This section includes optional schedules showing revenues and expenses by department, as well as certain statistical information.

## **FINANCIAL ANALYSIS OF THE HOSPITAL**

The balance sheets and the statements of revenues, expenses and changes in net assets report information about the Hospital's activities. Increases or improvements, as well as decreases or declines in net assets, are one indicator of the financial state of the Hospital. Other non-financial factors that should also be considered include changes in economic conditions, population changes (including uninsured and working poor) and new or changed government legislation.

## **BALANCE SHEETS**

A summary of the Hospital's balance sheets is presented in the following table:

### **CONDENSED BALANCE SHEETS**

	Fiscal Year <u>2007</u>	Fiscal Year <u>2006</u>	Dollar <u>Change</u>	Percent <u>Change</u>
Current assets	\$ 2,815,315	\$ 2,863,793	\$ (48,478)	1.7%
Other assets	<u>2,930,594</u>	<u>2,879,805</u>	<u>50,789</u>	1.8%
Total assets	<u>\$ 5,745,909</u>	<u>\$ 5,743,598</u>	<u>\$ 2,311</u>	0.0%

	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2006</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current liabilities	\$ 701,012	\$ 761,194	\$ (60,182)	(7.9)%
Long-term liabilities	<u>500,659</u>	<u>547,683</u>	<u>(47,024)</u>	(8.6)%
Total liabilities	<u>\$ 1,201,671</u>	<u>\$ 1,308,877</u>	<u>\$ (107,206)</u>	(8.2)%
Investment in capital assets, net of related debt	\$ 1,190,450	\$ 1,112,028	\$ 78,422	7.1%
Unrestricted	<u>3,353,788</u>	<u>3,322,693</u>	<u>31,095</u>	.9%
Total net assets	<u>\$ 4,544,238</u>	<u>\$ 4,434,721</u>	<u>\$ 109,517</u>	2.5%

Current assets increased due primarily to an increase in patient accounts receivables.

Gross capital assets increased \$203,669 (net of retirements) during 2007, while depreciation expense of \$272,909 decreased the capital assets total. This increase relates to the roof addition and significant renovations to the Hospital that were begun during 2006.

Long-term liabilities decreased as a result of borrowings used to fund the capital improvements mentioned in the previous paragraph, net of normal principal payments in accordance with the Hospital's debt service agreements.

#### SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The following table presents a summary of the Hospital's historical revenues for each of the fiscal years ended May 31, 2007 and 2006:

#### CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2006</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Net patient service revenue	\$ 8,242,499	\$ 8,099,803	\$ 142,696	1.8%
Other operating revenue	<u>375,020</u>	<u>445,230</u>	<u>(70,210)</u>	(15.8)%
Total operating revenue	8,617,519	8,545,033	72,486	.8%
Salaries and benefits	5,126,335	4,557,841	568,494	12.5%
Supplies, interest and other	3,197,879	3,009,231	188,648	6.3%
Depreciation and amortization	<u>272,909</u>	<u>207,217</u>	<u>65,692</u>	31.7%
Total operating expenses	<u>8,597,123</u>	<u>7,774,289</u>	<u>822,834</u>	10.6%
Income from operations	20,396	770,744	(750,348)	(97.4)%
Nonoperating income	<u>89,121</u>	<u>58,300</u>	<u>30,821</u>	52.9%
Excess of revenue over expenses	<u>\$ 109,517</u>	<u>\$ 829,044</u>	<u>\$ (719,527)</u>	86.8%

## **OPERATING REVENUES**

During fiscal year 2007, the Hospital derived 95.6% of its total operating revenues from net patient service revenue. Such revenues include revenues from the Medicare and Medicaid programs, patients or their third-party carriers who pay for care in the Hospital's facilities.

Approximately 65% of the Hospital's gross patient service revenue was rendered under contracts with Medicare and Medicaid for 2007, compared to 67% for 2006.

## **OPERATING AND FINANCIAL PERFORMANCE**

During 2007, the Hospital had patient days and admissions of 3,815 and 1,043, respectively. This was an increase of 404 in patient days, or 12% from 2006 levels. Admissions decreased in 2007 by 69, or 7%.

Net patient service revenue increased and operating expenses increased as stated in the "Financial Highlights."

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

While the annual budget of the Hospital is not presented within these financial statements, the Hospital's Board and Management considered many factors when setting the fiscal year 2008 budget. While the financial outlook for the Hospital is improving, of primary importance in setting the 2008 budget was the status of the economy and the healthcare environment, which takes into account market forces and environmental factors such as:

- Medicare reimbursement changes
- Medicaid reimbursement changes, as well as the continuation at the current level of Disproportionate Share and Upper Payment Limit Programs
- Increased number of uninsured and working poor
- Ongoing competition for services
- Workforce shortages, primarily in nursing and other clinically skilled positions and related employee costs
- Cost of supplies, including pharmaceuticals

## **CONTACTING THE HOSPITAL FINANCIAL MANAGER**

This financial report is designed to provide our citizens, patients and creditors with a general overview of the Hospital's finances. If you have any questions about this report or need additional financial information, please contact Ladonna Englerth, Hospital Administrator, at East Carroll Parish Hospital, 226 North Hood Street, Lake Providence, Louisiana 71254-2194 or by phone at 318.559.4023.



## FINANCIAL STATEMENTS

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA  
EAST CARROLL PARISH HOSPITAL**

**BALANCE SHEETS  
MAY 31, 2007 AND 2006**

**ASSETS**

	<u>2007</u>	<u>2006</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents - Note 2	\$ 396,491	\$ 475,839
Receivables:		
Patient accounts, net of estimated uncollectibles and contractual adjustments of \$1,899,000 and \$1,845,000 in 2007 and 2006, respectively - Note 3	1,864,043	1,825,862
Due from third-party payors - Note 4	<u>308,535</u>	<u>340,531</u>
Net receivables	2,172,578	2,166,393
Inventories	178,130	157,342
Prepaid expenses	<u>68,116</u>	<u>64,219</u>
<b>TOTAL CURRENT ASSETS</b>	2,815,315	2,863,793
<b>CAPITAL ASSETS, NET - Note 5</b>	1,737,209	1,699,511
<b>OTHER ASSETS - Note 7</b>	114,083	151,083
<b>ASSETS LIMITED AS TO USE - Notes 2 and 6</b>	<u>1,079,302</u>	<u>1,029,211</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,745,909</u>	<u>\$ 5,743,598</u>

See accompanying Notes to Financial Statements.

# LIABILITIES AND NET ASSETS

	<u>2007</u>	<u>2006</u>
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term liabilities	\$ 46,100	\$ 39,800
Accounts payable	209,052	201,481
Accrued expenses - Note 4	<u>445,860</u>	<u>519,913</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>701,012</b>	<b>761,194</b>
<b>LONG-TERM LIABILITIES, EXCLUDING CURRENT PORTION - Note 8</b>	<b>500,659</b>	<b>547,683</b>
<b>COMMITMENTS AND CONTINGENCIES - Note 9</b>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b>1,201,671</b>	<b>1,308,877</b>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	1,190,450	1,112,028
Unrestricted	<u>3,353,788</u>	<u>3,322,693</u>
	<u>4,544,238</u>	<u>4,434,721</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,745,909</u></b>	<b><u>\$ 5,743,598</u></b>

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA  
EAST CARROLL PARISH HOSPITAL**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED MAY 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>OPERATING REVENUES:</b>		
Net patient service revenue, net of provision for bad debts of \$1,719,000 and \$1,638,000 in 2007 and 2006, respectively - Note 3	\$ 8,242,499	\$ 8,099,803
OTHER OPERATING REVENUE - Note 11	<u>375,020</u>	<u>445,230</u>
<b>TOTAL OPERATING REVENUE</b>	8,617,519	8,545,033
<b>OPERATING EXPENSES:</b>		
Salaries and wages	4,369,508	3,847,810
Supplies and other	3,162,114	2,992,349
Employee benefits	756,827	710,031
Depreciation and amortization	272,909	207,217
Interest	<u>35,765</u>	<u>16,882</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>8,597,123</u>	<u>7,774,289</u>
<b>INCOME FROM OPERATIONS</b>	20,396	770,744
<b>NONOPERATING INCOME:</b>		
Interest income	89,661	52,482
Rental income	600	600
Gain (loss) on sale of assets	<u>(1,140)</u>	<u>5,218</u>
	<u>89,121</u>	<u>58,300</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	109,517	829,044
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>4,434,721</u>	<u>3,605,677</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 4,544,238</u>	<u>\$ 4,434,721</u>

See accompanying Notes to Financial Statements.

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA  
EAST CARROLL PARISH HOSPITAL**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED MAY 31, 2007 AND 2006**

**Increase (Decrease) in Cash and Cash Equivalents**

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</b>		
Receipts from patients and third-party payors	\$ 8,511,334	\$ 7,983,066
Payments to suppliers for goods and services	(3,179,228)	(3,122,626)
Payments to employees for services	<u>(5,100,388)</u>	<u>(4,595,476)</u>
<b>NET CASH FROM (USED FOR) OPERATING ACTIVITIES</b>	<b>231,718</b>	<b>264,964</b>
<b>CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:</b>		
Rental income	600	600
Purchase of patient list	-	(185,000)
(Increase) decrease in assets limited as to use	(50,091)	366,392
Interest on investments	<u>89,661</u>	<u>52,482</u>
<b>NET CASH FROM (USED FOR) INVESTING ACTIVITIES</b>	<b>40,170</b>	<b>234,474</b>
<b>CASH FLOWS FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchases of property and equipment	(274,747)	(1,020,848)
Proceeds from sale of assets	-	5,218
Interest payments on long-term liabilities	(35,765)	(16,882)
Proceeds from long-term borrowings	-	575,000
Principal payments on long-term liabilities	<u>(40,724)</u>	<u>(27,107)</u>
<b>NET CASH FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b><u>(351,236)</u></b>	<b><u>(484,619)</u></b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(79,348)</b>	<b>14,819</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b><u>475,839</u></b>	<b><u>461,020</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 396,491</u></b>	<b><u>\$ 475,839</u></b>

(Continued)

# STATEMENTS OF CASH FLOWS (CONTINUED)

	<u>2007</u>	<u>2006</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FROM (USED FOR) OPERATING ACTIVITIES:</b>		
Income from operations	\$ 20,396	\$ 770,744
Interest expense considered capital financing activity	35,765	16,882
Adjustments to reconcile expenses in excess of revenue and gains to net cash provided by operating activities and gains:		
Depreciation and amortization	272,909	207,217
Provisions for losses on accounts receivable	54,000	459,000
Changes in operating assets and liabilities:		
(Increase) decrease in receivables, net	(60,185)	(990,967)
(Increase) decrease in inventories	(20,788)	(15,699)
(Increase) decrease in prepaid expenses	(3,897)	32,010
Increase (decrease) in accounts payable and accrued expenses	<u>(66,482)</u>	<u>(214,223)</u>
<b>NET CASH FROM (USED FOR) OPERATING ACTIVITIES</b>	<b>\$ <u>231,718</u></b>	<b>\$ <u>264,964</u></b>

See accompanying Notes to Financial Statements.

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA  
EAST CARROLL PARISH HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2007 AND 2006**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES**

**Description of Entity**

East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital (the Hospital) is a governmental acute care hospital located in Lake Providence, Louisiana. It was created by the East Carroll Parish Police Jury. The Policy Jury appoints the Board of Commissioners of the Hospital. The Hospital is considered a political subdivision of the State of Louisiana and a component unit of East Carroll Parish.

**Net Patient Service Revenue**

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

**Inventories**

Inventories are stated at the lower of cost (first-in, first-out method) or market.

**Property, Buildings and Equipment**

Property, buildings and equipment are stated at cost. Donated property, buildings and equipment are recorded at fair market value at the date of donation, which then is treated as cost. The cost of additions and improvements, which substantially extend the useful life of a particular asset, is capitalized. Expenditures for maintenance and repairs are charged to expenses.

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed on the straight-line method. Equipment under capital leases is amortized on the straight-line method over the shorter period of the lease term, or the estimated useful life of the equipment. Such amortization is included in depreciation in the accompanying financial statements.

## NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following estimated useful lives are used in computing depreciation:

Buildings and improvements	20-40 years
Furniture and equipment	5-20 years
Transportation equipment	4-8 years

### Proprietary Fund Accounting

The Hospital uses the proprietary fund method of accounting, whereby revenue and expenses are recognized on the accrual basis. Substantially all revenue and expenses are subject to accrual.

### Federal and State Income Taxes

As a political subdivision of the State of Louisiana, the Hospital is exempt from federal and state income taxes.

### Donor Restricted Funds

The Hospital reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted fund balance is reclassified as unrestricted fund balance. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions.

The Hospital reports gifts of property and equipment (or other long-lived assets) as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Hospital reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. There were no donor restricted fund balances at May 31, 2007 or 2006.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.



## NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Accounting Standards

Pursuant to Governmental Accounting Standards, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989.

### Deposits and Investments

Investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in (1) direct obligations of the United States Government pledged by its full faith and credit, (2) certificates of deposit at savings and loan associations and federally insured banks when secured by acceptable collateral and (3) savings accounts at savings and loan associations and banks to the extent fully insured.

### Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid investment instruments purchased with an original maturity of three months or less.

### Credit Risk

Management records an allowance for bad debts for estimated uncollectible accounts based on historical bad debt experience and other factors. Accounts are written off when collection is determined to be unlikely.

## NOTE 2 - CASH AND OTHER DEPOSITS

Cash and other deposits consist of demand accounts, savings accounts and certificates of deposit. At May 31, 2007 and 2006, the Hospital had bank balances as follows:

	<u>2007</u>	<u>2006</u>
Insured (FDIC)	\$ 200,000	\$ 200,000
Collateralized by securities held by the pledging financial institution's Trust Department in the Hospital's name	<u>1,374,201</u>	<u>1,391,550</u>
Total depository balance	<u>\$ 1,574,201</u>	<u>\$ 1,591,550</u>
Carrying value	<u>\$ 1,475,793</u>	<u>\$ 1,505,050</u>

## NOTE 2 - CASH AND OTHER DEPOSITS (CONTINUED)

### Risk Policies

*Interest Rate Risk* - The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Concentration of Credit Risk* - The Hospital places no limit on the amount that may be invested in any one issuer. However, Management generally requires deposits in excess of federally insured limits to be collateralized. Collateral for uninsured deposits consists of pledged securities held by financial institutions in the name of the Hospital.

*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. The Hospital does not have a deposit policy for custodial credit risk. As of May 31, 2007, \$1,374,201 of the Hospital's bank balance was exposed to custodial credit risk.

## NOTE 3 - NET PATIENT SERVICE REVENUE

The Hospital grants credit to its patients, most of whom are local residents and are insured under third-party payor agreements. The Hospital has agreements with certain third-party payors that provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

- Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient non-acute services, certain outpatient services and defined capital costs related to Medicare beneficiaries are paid based upon a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits by the Medicare fiscal intermediary.
- Medicaid - Inpatient services rendered to Medicaid program beneficiaries are reimbursed at a prospectively determined per diem rate. Outpatient services are reimbursed at a percentage of cost, with final settlement determined after the submission of annual cost reports by the Hospital and audits by the Medicaid fiscal intermediary.

### NOTE 3 - NET PATIENT SERVICE REVENUE (CONTINUED)

A summary of gross and net patient service revenue follows:

	<u>2007</u>	<u>2006</u>
Gross patient service revenue	\$ 11,500,860	\$ 11,338,620
Plus (less) provisions for:		
Contractual adjustments under third-party reimbursement programs, net of disproportionate share payments of \$1,344,761 and \$907,606 for 2007 and 2006, respectively	(1,538,904)	(1,600,890)
Bad debts	<u>(1,719,457)</u>	<u>(1,637,927)</u>
Net patient service revenue	<u>\$ 8,242,499</u>	<u>\$ 8,099,803</u>
Percentage of gross	<u>72%</u>	<u>71%</u>

A summary of gross revenue from patient services rendered under contract with major third-party payors follows:

	<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>Percent of Gross Patient Revenue</u>	<u>Amount</u>	<u>Percent of Gross Patient Revenue</u>
Medicare	\$ 4,704,743	40.9	\$ 4,212,946	37.2
Medicaid	<u>2,720,927</u>	<u>23.7</u>	<u>3,412,491</u>	<u>30.1</u>
	<u>\$ 7,425,670</u>	<u>64.6%</u>	<u>\$ 7,625,437</u>	<u>67.3%</u>

### NOTE 4 - DUE FROM (TO) THIRD-PARTY PAYORS

A summary of amounts due from (to) third-party payors follows:

	<u>2007</u>	<u>2006</u>
Due from (to) Medicare Program, net	\$ 103,800	\$ 119,951
Due from (to) Louisiana Medicaid Program, net	<u>204,735</u>	<u>220,580</u>
	<u>\$ 308,535</u>	<u>\$ 340,531</u>

#### NOTE 4 - DUE FROM (TO) THIRD-PARTY PAYORS (CONTINUED)

	<u>2007</u>	<u>2006</u>
Provision for estimated future third-party retroactive adjustments (included in accrued expenses)	<u>\$ (310,000)</u>	<u>\$ (410,000)</u>

Revenue from the Medicare and Medicaid programs accounted for a significant portion of the Hospital's net patient revenue for the years ended May 31, 2007 and 2006. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. The provision for estimated future retroactive adjustments is based on Management's estimates. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The 2007 net patient service revenue decreased approximately \$39,000 due to retroactive adjustments by Medicare and Medicaid in excess of amounts previously estimated and increased by \$140,000 due to the decrease of the provision for estimated future third-party retroactive adjustments for the open cost report years of 2001 through 2007.

#### NOTE 5 - CAPITAL ASSETS

A summary of capital assets and related activity for the years ended May 31, 2007 and 2006 follows:

	<u>5/31/06</u>	<u>Additions</u>	<u>Retirements</u>	<u>5/31/07</u>
Capital assets not being depreciated:				
Land	\$ 22,000	\$ -	\$ -	\$ 22,000
Construction in progress	<u>375,552</u>	<u>132,005</u>	<u>(407,699)</u>	<u>99,858</u>
	397,552	132,005	(407,699)	121,858
Capital assets being depreciated:				
Hospital buildings and improvements	1,163,918	403,465	(30,771)	1,536,612
Equipment	1,110,235	61,019	(31,321)	1,139,933
Transportation equipment	269,994	60,895	(17,523)	313,366
Clinic	<u>457,997</u>	<u>33,599</u>	<u>-</u>	<u>491,596</u>
	3,002,144	558,978	(79,615)	3,481,507
Less accumulated depreciation for:				
Buildings and improvements	(824,311)	(35,119)	30,771	(828,659)
Equipment	(626,005)	(133,591)	39,167	(720,429)
Transportation equipment	(141,752)	(33,680)	-	(175,432)
Clinic	<u>(108,117)</u>	<u>(33,519)</u>	<u>-</u>	<u>(141,636)</u>
	<u>(1,700,185)</u>	<u>(235,909)</u>	<u>69,938</u>	<u>(1,866,156)</u>
Capital assets, net	<u>\$ 1,699,511</u>	<u>\$ 455,074</u>	<u>\$ (417,376)</u>	<u>\$ 1,737,209</u>

# NOTE 5 - CAPITAL ASSETS (CONTINUED)

	<u>5/31/05</u>	<u>Additions</u>	<u>Retirements</u>	<u>5/31/06</u>
Capital assets not being depreciated:				
Land	\$ 17,000	\$ 5,000	\$ -	\$ 22,000
Construction in progress	<u>45,970</u>	<u>375,552</u>	<u>(45,970)</u>	<u>375,552</u>
	62,970	380,552	(45,970)	397,552
Capital assets being depreciated:				
Hospital buildings and improvements	1,039,662	124,256	-	1,163,918
Equipment	789,830	320,405	-	1,110,235
Transportation equipment	250,319	35,302	(15,627)	269,994
Clinic	<u>251,693</u>	<u>206,304</u>	<u>-</u>	<u>457,997</u>
	2,331,504	686,267	(15,627)	3,002,144
Less accumulated depreciation for:				
Buildings and improvements	(806,227)	(18,084)	-	(824,311)
Equipment	(518,413)	(107,592)	-	(626,005)
Transportation equipment	(132,596)	(24,783)	15,627	(141,752)
Clinic	<u>(85,275)</u>	<u>(22,842)</u>	<u>-</u>	<u>(108,117)</u>
	<u>(1,542,511)</u>	<u>(173,301)</u>	<u>15,627</u>	<u>(1,700,185)</u>
Capital assets net	<u>\$ 851,963</u>	<u>\$ 893,518</u>	<u>\$ (45,970)</u>	<u>\$ 1,699,511</u>

# NOTE 6 - ASSETS LIMITED AS TO USE

Assets limited as to use included investments in insured savings accounts and certificates of deposit which are held by the Hospital or its agent in the Hospital's name. The use of these funds was internally restricted by the Board.

# NOTE 7 - PURCHASE OF FAMILY PRACTICE CLINIC

During the year ended May 31, 2006, the Hospital acquired the Family Practice Clinic in Lake Providence, Louisiana for \$275,000. The cost was allocated as follows:

Land	\$ 5,000
Building	80,000
Equipment	5,000
Patient list (intangible asset)	185,000

The patient list is being amortized over five years. Amortization expense of \$37,000 and \$33,917 was recorded during 2007 and 2006, respectively.

## NOTE 8 - LONG-TERM LIABILITIES

Long-term liabilities consist of the following:

	<u>2007</u>	<u>2006</u>
Hospital Revenue Bond to the United States of America, at 4.125%, payable in monthly installments of \$1,902, including principal and interest, final payment due August 2025, secured by pledge of Hospital revenues.	\$ 292,030	\$ 300,000
Note payable to individual, at 6%, payable in monthly installments of \$3,053, including principal and interest, final payment due July 2015, collateralized by real estate.	236,069	257,837
Lease payable to Great American Leasing, Inc., at 10%, payable in total monthly installments of \$1,122, including principal and interest, final payment due December 2008, collateralized by equipment.	<u>18,660</u>	<u>29,646</u>
	546,759	587,483
Less current portion	<u>(46,100)</u>	<u>(39,800)</u>
	<u>\$ 500,659</u>	<u>\$ 547,683</u>

In connection with the bond payable, the Hospital is required to establish and contribute funds to a reserve and a contingency fund. Contributions to these funds began after May 31, 2006 and amount to approximately \$2,500 annually.

Annual maturities of long-term liabilities follow:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 46,100	\$ 27,849	\$ 73,949
2009	42,631	25,004	67,635
2010	37,965	21,496	59,461
2011	40,072	19,389	59,461
2012	42,300	17,260	59,560
2013-2017	178,806	51,223	230,029
2018-2022	90,172	23,948	114,120
2023-2027	<u>68,713</u>	<u>4,782</u>	<u>73,495</u>
	<u>\$ 546,759</u>	<u>\$ 190,951</u>	<u>\$ 737,710</u>

## NOTE 8 - LONG-TERM LIABILITIES (CONTINUED)

A schedule of activity in the Hospital's long-term liabilities balance is as follows:

	<u>2007</u>	<u>2006</u>
Balance at beginning of year	\$ 587,483	\$ 39,590
Additions	-	575,000
Repayments	<u>(40,724)</u>	<u>(27,107)</u>
Balance at end of year	<u>\$ 546,759</u>	<u>\$ 587,483</u>

Interest expense paid (cash basis) was \$35,765 and \$16,882 for the years ended May 31, 2007 and 2006, respectively.

## NOTE 9 - RISK MANAGEMENT

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in recent years.

The Hospital's malpractice insurance coverage is a claims-made policy. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured. Claims may be asserted against the Hospital arising from services provided to patients through May 31, 2007, in excess of insurance policy limits. No amounts have been accrued for potential claims in excess of insurance coverage.

## NOTE 10 - RETIREMENT PLAN

The Hospital has a qualified retirement plan (the Plan) which covers substantially all employees with more than one year of service. The participants may contribute to the Plan, and the Hospital matches up to 2%. Contributions to the Plan were \$19,830 and \$16,764 for 2007 and 2006, respectively.

## NOTE 11 - OTHER OPERATING REVENUE

Other operating revenue consists of:

	<u>2007</u>	<u>2006</u>
Parish subsidy	\$ 257,474	\$ 259,374
Ambulance memberships	4,090	16,500
Other revenue	<u>113,456</u>	<u>169,356</u>
	<u>\$ 375,020</u>	<u>\$ 445,230</u>

The parish subsidy represents property taxes collected for the benefit of the Hospital. Use of the subsidy is unrestricted.



## SUPPLEMENTARY DATA

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East Carroll Parish Hospital Service District, dba  
East Carroll Parish Hospital  
Lake Providence, Louisiana

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### Independent Auditors' Report on Supplementary Data

The audited financial statements of East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital as of and for the years ended May 31, 2007 and 2006, and our report thereon dated November 27, 2007, are presented in the preceding section of this report. Our audits were made for the purpose of forming our opinion on the financial statements taken as a whole.

Supplementary data Schedules 1 through 3 are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Smith, Turner & Reeves, P.A.*

November 27, 2007

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**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA  
EAST CARROLL PARISH HOSPITAL  
GROSS PATIENT SERVICE REVENUE BY DEPARTMENT  
YEARS ENDED MAY 31, 2007 AND 2006**

	<u>Year Ended May 31, 2007</u>		<u>Total</u>
	<u>Inpatient</u>	<u>Outpatient</u>	
<b>ROUTINE SERVICES:</b>			
Hospital	\$ 1,125,651	\$ -	\$ 1,125,651
<b>ANCILLARY SERVICES:</b>			
Radiology	178,851	403,990	582,841
Laboratory	782,162	681,116	1,463,278
Respiratory therapy	825,680	79,592	905,272
Electrocardiology	66,480	25,385	91,865
Central supply	1,032,583	187,375	1,219,958
Pharmacy	1,726,934	214,842	1,941,776
Emergency Room	-	922,980	922,980
Ambulance	-	1,137,740	1,137,740
Clinics	-	2,109,499	2,109,499
	<u>4,612,690</u>	<u>5,762,519</u>	<u>10,375,209</u>
	<u>\$ 5,738,341</u>	<u>\$ 5,762,519</u>	<u>\$ 11,500,860</u>
 Percentage of total	 <u>50%</u>	 <u>50%</u>	 <u>100%</u>

Schedule 1

<u>Year Ended May 31, 2006</u>		
<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>
\$ 1,065,370	\$ -	\$ 1,065,370
138,914	276,754	415,668
738,557	659,796	1,398,353
597,002	72,725	669,727
63,034	26,656	89,690
882,504	273,346	1,155,850
1,331,132	270,345	1,601,477
-	965,830	965,830
-	1,913,969	1,913,969
-	2,062,686	2,062,686
<u>3,751,143</u>	<u>6,522,107</u>	<u>10,273,250</u>
<u>\$ 4,816,513</u>	<u>\$ 6,522,107</u>	<u>\$ 11,338,620</u>
<u>42%</u>	<u>58%</u>	<u>100%</u>

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA  
EAST CARROLL PARISH HOSPITAL  
DEPARTMENTAL EXPENSES  
YEARS ENDED MAY 31, 2007 AND 2006**

	<u>Year Ended May 31, 2007</u>		
	<u>Salaries and Wages</u>	<u>Supplies and Other Expenses</u>	<u>Total</u>
<b>ROUTINE SERVICES:</b>			
Hospital	\$ 1,385,226	\$ 129,176	\$ 1,514,402
<b>ANCILLARY SERVICES:</b>			
Radiology	140,776	83,351	224,127
Laboratory	235,200	486,723	721,923
Respiratory therapy	14,973	14,912	29,885
Electrocardiology	-	1,500	1,500
Central supply	-	144,859	144,859
Pharmacy	33,961	342,342	376,303
Emergency Room	92,189	1,009,249	1,101,438
Ambulance	387,125	77,632	464,757
Clinics	<u>1,544,367</u>	<u>318,659</u>	<u>1,863,026</u>
	2,448,591	2,479,227	4,927,818
<b>OTHER DEPARTMENTS:</b>			
General and administrative	304,337	310,650	614,987
Dietary	72,194	49,724	121,918
Environmental services and plant operations	103,370	191,880	295,250
Medical records	<u>55,790</u>	<u>1,457</u>	<u>57,247</u>
	<u>535,691</u>	<u>553,711</u>	<u>1,089,402</u>
	<u>\$ 4,369,508</u>	<u>\$ 3,162,114</u>	<u>\$ 7,531,622</u>

Schedule 2

<u>Year Ended May 31, 2006</u>		
<u>Salaries and Wages</u>	<u>Supplies and Other Expenses</u>	<u>Total</u>
\$ 959,701	\$ 118,239	\$ 1,077,940
141,922	59,178	201,100
218,261	494,238	712,499
12,374	10,374	22,748
-	500	500
-	135,876	135,876
26,809	254,233	281,042
46,531	1,017,506	1,064,037
581,630	80,567	662,197
<u>1,416,511</u>	<u>297,648</u>	<u>1,714,159</u>
2,444,038	2,350,120	4,794,158
243,613	298,683	542,296
63,343	51,991	115,334
90,664	170,055	260,719
<u>46,451</u>	<u>3,261</u>	<u>49,712</u>
<u>444,071</u>	<u>523,990</u>	<u>968,061</u>
<u>\$ 3,847,810</u>	<u>\$ 2,992,349</u>	<u>\$ 6,840,159</u>

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA  
EAST CARROLL PARISH HOSPITAL  
DEPARTMENTAL REVENUE AND EXPENSES  
YEARS ENDED MAY 31, 2007 AND 2006**

	<u>Year Ended May 31, 2007</u>			
	<u>Gross Revenue</u>		<u>Expenses</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
ROUTINE SERVICES:				
Hospital	\$ 1,125,651	9.8	\$ 1,514,402	17.6
ANCILLARY SERVICES:				
Radiology	582,841	5.1	224,127	2.6
Laboratory	1,463,278	12.7	721,923	8.4
Respiratory therapy	905,272	7.9	29,885	0.3
Electrocardiology	91,865	0.8	1,500	-
Central supply	1,219,958	10.6	144,859	1.7
Pharmacy	1,941,776	16.9	376,303	4.4
Emergency Room	922,980	8.0	1,101,438	12.8
Ambulance	1,137,740	9.9	464,757	5.4
Clinics	2,109,499	18.3	1,863,026	21.7
	<u>10,375,209</u>	<u>90.2</u>	<u>4,927,818</u>	<u>57.3</u>
OTHER DEPARTMENTS	-	-	1,089,402	12.7
EMPLOYEE BENEFITS	-	-	756,827	8.8
DEPRECIATION AND AMORTIZATION	-	-	272,909	3.2
INTEREST	-	-	35,765	0.4
	<u>\$ 11,500,860</u>	<u>100.0</u>	<u>\$ 8,597,123</u>	<u>100.0</u>



Schedule 3

Year Ended May 31, 2006

<u>Gross Revenue</u>		<u>Expenses</u>	
<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
\$ 1,065,370	9.4	\$ 1,077,940	13.9
415,668	3.7	201,100	2.6
1,398,353	12.3	712,499	9.2
669,727	5.9	22,748	0.3
89,690	0.8	500	-
1,155,850	10.2	135,876	1.7
1,601,477	14.1	281,042	3.6
965,830	8.5	1,064,037	13.7
1,913,969	16.9	662,197	8.5
<u>2,062,686</u>	<u>18.2</u>	<u>1,714,159</u>	<u>22.0</u>
10,273,250	90.6	4,794,158	61.7
-	-	968,061	12.5
-	-	710,031	9.1
-	-	207,217	2.7
<u>-</u>	<u>-</u>	<u>16,882</u>	<u>0.2</u>
<u>\$ 11,338,620</u>	<u>100.0</u>	<u>\$ 7,774,289</u>	<u>100.0</u>

Board of Commissioners  
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**Independent Auditors' Report on Internal Control  
Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial  
Statements Performed in Accordance  
With *Government Auditing Standards***

We have audited the financial statements of East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital (the Hospital) as of and for the year ended May 31, 2007, and have issued our report thereon dated November 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Hospital's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described above and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the

entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness:

*The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, outside auditors cannot be considered part of the Hospital's internal control structure, and, because of limitations of the Hospital's small accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.*

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Hospital's Board of Commissioners, Management and the Office of the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*Smith, Turner & Reever, P.A.*

November 27, 2007